SPRINGVALE TOWNSHIP EMMET COUNTY, MICHIGAN

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION for the year ended March 31, 2005

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

City Township Village Other SPRINGVALE TOWNSHIP						TOWNSHIP			County EMME	<u> </u>
3/31/05			Opinion Dat 9/9/05		19/	e Accountant Report S 26/05				
We affirm the	ratements nat:	s for Coun	ties and Lo	ocal Units	of Government in	rnment and rende g Standards Boa <i>Michigan</i> by the M	Michigan Depa	rtment of T	cial stat form Re reasury	ements prepare eporting Former
1. VVe hav	e complie	∍d with the	e Bulletin f	or the Aud	lits of Local Units	of Government in	Michigan as re	evised.		
We further s	ffirm the	public acc	ountants r	egistered t	to practice in Mich	nigan.				
comments a	nd recom	mendatio	"Yes" resp ns	onses hav	ve been disclosed	d in the financial s	atements, incl	luding the r	notes, o	r in the report of
You must che	eck the a	pplicable t	oox for eac	h item bel	low.					
	_					he local unit are e	xcluded from t	he financia	l stater	nents.
✓ Yes						ore of this unit's				
√ Yes] No 3	3. There a	are instand ed).	ces of no	n-compliance wit	h the Uniform Ac	counting and	Budgeting	Act (P	.A. 2 of 1968,
Yes 🗸] No 4	. The loc requirer	cal unit ha ments, or a	s violated an order is:	I the conditions sued under the E	of either an orde mergency Municip	r issued unde al Loan Act	er the Mun	icipal F	inance Act or i
Yes _ ✓	No 5.	The loc	al unit hol	ds deposi	ts/investments wi	hich do not comp 2, as amended [M	المالية المتاتين المالية	ry requirer	nents. (P.A. 20 of 194
Yes √	No 6.					ing tax revenues t		cted for and	other ta	xina unit
Yes 🗸		The loca pension	al unit has benefits (r	violated	the Constitutiona	I requirement (Ar t year. If the plan nent, no contributi	ticle 9, Sectio	n 24) to fu	ınd curr	ent year earne
Yes ✓	No 8.					t adopted an app				
Yes ✓	No 9.	The local	l unit has n	ot adopte	d an investment p	policy as required i	py P.A. 196 of	1997 (MCI	_ 129.95	5).
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			ncial assist	ance prog	rams (program a	udits).				1
Single Audit Re	eports (AS	SLGU). 						<u> </u>		
SMOLINSKI	ountant (Fir	m Name) STMAN,	P.C.							
treet Address 555 MICHIGA coountant Signatu	AN STR		7			City PETOSKEY		State MI	ZIP.	70
	Ken	r. K		Thank	1			Date 9/26/05		

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September 9, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board of Springvale Township:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information, of Springvale Township, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We concluded our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures on the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Springvale Township as of March 31, 2005 and the respective changes in financial position and cash flows, were applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A the Township has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, as of March 31, 2005.

Springvale Township Board September 9, 2005

The management's discussion and analysis information on pages 3 through 6, and budgetary comparison information on pages 28 and 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Smolinski & Christman, P.C.



This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in th short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detailed data.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, the Fire Fund, Springvale Bear Creek Sewer Fund, Trails End Sewer Fund, Sunrise Sewer Fund, and the Current Tax Collection Fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

Springvale Township Net Assets

Net A	<i>l</i> ssets		
	Governmental <u>Activities</u>	Business-Type Activities	∍ <u>Total</u>
Current and other assets Capital assets (net)	\$ 443,101 <u>926,944</u>	\$ 311,493 <u>465,231</u>	\$ 754,594 _1,392,175
Total assets	<u>\$1,370,045</u>		
Long-term liabilities Other liabilities	\$ 510,714 75,306	\$ 776,724 \$ 340,745 	\$2,146,769 \$ 851,459 332,385
Total liabilities	\$ 586,020	\$ 597,824	
Net assets: Invested in capital assets net of related debt Restricted for road repair and maintenance Unrestricted	\$ 416,230 6,071	\$ 138,986 -	\$1,183,844 \$ 555,216 6,071
5.11.05tt.10t0Q	<u>361,724</u>	<u> 39,914</u>	<u>401,638</u>
	<u>\$ 784,025</u>	<u>\$ 178,900</u>	<u>\$ 962,925</u>
Springvale Change in N	Township Vet Assets		
	Governmental	Business-Type	
REVENUES: Program revenues:	Activities	Activities	Total
Charges for services Operating grants and contributions Capital grants and contributions General revenues:	\$ 300 6,071 1,700	\$ 23,686 - -	\$ 23,986 6,071 1,700
Property taxes and fees Stated shared revenues Special assessments Interest income Miscellaneous	152,583 116,378 - 4,810 5,526	- 28,561 19,071	152,583 116,378 28,561 23,881
Total revenues	<u></u>	71.010	5,526
EXPENSES: General government		71,318	<u>358,686</u>
Public works Public safety Recreation and culture Unallocated depreciation Capital outlay	109,511 17,952 93,014 2,625 15,379 2,357	- - - - -	109,511 17,952 93,014 2,625 15,379 2,357
Sewer Interest		33,286 21,810	33,286 42,748
Total expenses	261,776	55,096	316,872
Increase in net assets Beginning net assets	25,592 758,433	16,222 162,678	41,814 921,111
Ending net assets	<u>\$ 784,025</u>	\$ 178,900	\$ 962,925



FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the township board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains two individual governmental funds; General Fund and the Fire Fund; both of which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Business-Type Funds

The Township has three Sewer Funds, which include the activities of providing sewer service to Township residents.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Activities - At the completion of the Township's fiscal year ended March 31, 2005, its governmental funds reported fund balances of \$386,853. Of this amount \$6,071 is reserved for road repair and maintenance. The remaining \$380,782 is unreserved.

General Fund - The General Fund is the main operating fund of the Township. The General Fund decreased its fund balance in the current fiscal year by \$64,103, bringing the balance to \$287,504. The major portion of this decrease was from the use of funds to complete construction on the new fire hall.

 $\it Fire Fund$ - The Fire Fund ended the year with a fund balance of \$99,349. This was a reduction of \$6,424 from the previous year.



FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (Continued)

Proprietary Funds - The Township's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Trails End Sewer Fund - The Trails End Sewer Fund ended this year with \$162,880 in unrestricted net assets. This was an increase in net assets of \$15,311 from the previous year.

Springvale - Bear Creek Sewer Fund - The Springvale - Bear Creek Sewer Fund ended the year with a net deficit of \$5,297. This was an increase of \$396 in net deficit from the previous year. The Township Board approved an increase in sewer rates to begin June 1, 2005, in an effort to alleviate the net deficit.

General Fund Budgetary Highlights

Over the course of the year, the Springvale Township Board amended its budget several times to take into account events during the year. Amendments resulted in an increase in expenditures of \$85,978. Approximately \$69,000 of this increase was for capital outlay for the construction of the new fire hall. The remaining increase was due to changes in the other expenditure accounts.

Actual general fund expenditures were \$61,751 less than the final amended budget and revenues were \$39,876 less than budget, which resulted in a net increase in revenues over expenditures over budget of \$21,875.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$90,531 in capital assets, \$64,994 of which was for construction of the new fire hall. The total cost of the new fire hall was approximately \$754,000.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$39,286 of principal on the Fire Hall note payable. The remaining balance at March 31,2005 is \$510,714.

The Township's business-type activities paid \$29,290 of principal on the sewer funds note and bonds payable. The remaining balance at March 31, 2005 is \$340,745.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 231-347-3077.



SPRINGVALE TOWNSHIP STATEMENT OF NET ASSETS March 31, 2005

	G 	overnmental Activities	Bu	siness - Type Activities	Total	
ASSETS Cash and cash equivalents Certificate of deposit Receivables Due from other governmental units Due from other funds Capital assets - net of depreciation Investment in Sewage Disposal Authority	\$	357,374 13,412 13,866 54,797 3,652 926,944	\$	41,430 - 255,563 - 465,231 14,500	\$	398,804 13,412 269,429 54,797 3,652 1,392,175 14,500
Total assets	\$	1,370,045	\$	776,724	\$	2,146,769
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Accounts payable Accrued and other liabilities Deferred revenue Noncurrent liabilities: Due within one year	\$	4,054 20,611 50,641	\$	5,725 - 251,354	\$	9,779 20,611 301,995
Due in more than one year	_	39,286 471,428		3,250 337,495		42,536 808,923
Total liabilities		586,020		597,824		1,183,844
NET ASSETS: Invested in capital assets,		-				
net of related debt Restricted for road repair and maintenance Unrestricted		416,230 6,071		138,986		555,216 6,071
		361,724		39,914		401,638
Total net assets		784,025		178,900		962,925
Total liabilities and net assets	\$	1,370,045	\$	776,724	\$	2,146,769



for the year ended March 31, 2005 STATEMENT OF ACTIVITIES SPRINGVALE TOWNSHIP

า Net Assets	Total		(253,705)	(009'6)	(21,810)	60,979 60,979 60,979 20,458 10,167 116,378 28,561	23,881 5,526	326,929	41,814 921,111	962,925
Net (Expense) Revenue and Changes in Net Assets	Business Type Activities	. · · · · · · · · · · · · · · · · · · ·		(009'6)	(31,410)	28,561	1/0/81	47,632	16,222 162,678	178,900 \$
Net (Expense)	Govern- mental Activities	\$ (109,211) \$ (11,881) (93,014) (2,625) (15,379) (657) (20,938)	(253,705)		(253,705)	60,979 60,979 20,458 10,167 116,378	5,526	/67'6/7	25,592 758,433	784,025 \$
	Capital Grants & Contri- butions	1,700	1,700	1 1	\$ 1,700					₩.,
Program Revenues	Operating Grants & Contri- butions	6,071	6,071	1 1	\$ 6,071					
ፈ	Charges for Services	300	300	23,686	23,986	s: aral purposes separtment ninistration fee enue enue	unes	o t a	ing of year	year
	Expenses	\$ (109,511) (17,952) (93,014) (2,625) (15,379) (2,357) (20,938)	(261,776)	(33,286) (21,810)	\$ (295,062) \$	General revenues: Property taxes: Levied for general purposes Levied for fire department Property tax administration fee Swamp land tax State shared revenue Special assessment Interest income	Miscellaneous Total general revenues	Change in net assets	Net assets, beginning of year	Net assets, end of year
		General government General government Public works Public safety Recreation and culture Unallocated depreciation Capital outlay Interest on long-term debt	I otal governmental activities	Sewer Interest expense	Total government					

The accompanying notes are a part of the financial statements.

SPRINGVALE TOWNSHIP BALANCE SHEET GOVERNMENTAL FUNDS March 31, 2005

		General Fund	_	Fire Fund	G	Total overnmental Funds
ASSETS: Cash and cash equivalents Certificate of deposit Receivables Due from other governmental units Due from other funds	\$	244,765 13,412 7,861 54,797 3,652	\$	112,609 - 6,005 -	\$	357,374 13,412 13,866 54,797 3,652
Total assets	\$ ===	324,487	\$	118,614	\$	443,101
LIABILITIES AND	FUNI	BALANCES				
LIABILITIES: Accounts payable Accrued and other liabilities Deferred revenue	\$	1,789 1,553 33,641	\$	2,265 - 17,000	\$	4,054 1,553 50,641
Total liabilities		36,983	-	19,265	-	56,248
FUND BALANCES: Reserved for road repair and maintenance Unreserved		6,071 281,433		99,349		6,071 380,782
Total fund balances		287,504		99,349		386,853
Total liabilities and fund balances	\$	324,487	\$	118,614	\$	443,101



SPRINGVALE TOWNSHIP RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS March 31, 2005

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$	386,853
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not used in the funds		926,944
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds		
Note payable Accrued interest	***************************************	(510,714) (19,058)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	784.025



SPRINGVALE TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

for the year ended March 31, 2005

	 General Fund	Fire Fund	G	Total overnmental Funds
Revenues: Taxes and fees State grants Charges for services Interest Other revenue	\$ 91,604 122,449 300 3,545 5,526	\$ 60,979 1,700 - 1,265	\$	152,583 124,149 300 4,810 5,526
Total revenue	 223,424	 63,944		287,368
Expenditures: Current: General government Public works Public safety Recreation and culture Capital outlay Debt service	 109,511 17,952 3,178 2,625 91,325 62,936	70,368 - - -		109,511 17,952 73,546 2,625 91,325 62,936
Total expenditures	287,527	70,368		357,895
Revenues under expenditures	(64,103)	(6,424)		(70,527)
Fund balance, beginning of year	351,607	105,773		457,380
Fund balance, end of year	\$ 287,504	\$ 99,349	\$	386,853



SPRINGVALE TOWNSHIP RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

for the year ended March 31, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (70,527)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation.	
Expenditures for capital assets Current year depreciation	90,531 (36,410)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal paid on long-term debt.	62,936
Interest on long-term debt is recognized as an expenditure when it is due in the governmental funds. However, in the statement of activities, interest expense is recognized as the interest accrues, regardless of	
when it is due.	 (20,938)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 25,592



SPRINGVALE TOWNSHIP STATEMENT OF NET ASSETS PROPRIETARY FUNDS March 31, 2005

		Majo	ajor Funds					
	_	Trails End Sewer Fund		Springvale- Bear Creek Sewer Fund		Sunrise Sewer Fund		Total
ASSETS CURRENT ASSETS: Cash and cash equivalents Receivables Special assessment receivable, current portion	\$	22,300 4,161 18,476		S (1,287	 7) \$ -	3 20,417 900		5 41,430 5,061 18,476
Total current assets		44,937		(1,287	 ')	21,317		64,967
NONCURRENT ASSETS: Special assessment receivable Capital assets - net of depreciation Investment in Sewage Disposal Authority		232,026 465,231		- - 14,500		- - -		232,026 465,231 14,500
Total noncurrent assets		697,257	_	14,500		_	-	711,757
Total assets	\$	742,194	\$	13,213	\$	21,317	\$	776,724
LIABILITIES AND NET ASSETS CURRENT LIABILITIES:			· -				=	
Accounts payable Deferred revenue, current portion Bond payable, current portion	\$	1,715 18,476	\$	4,010 - 3,250	\$	- -	\$	5,725 18,476 3,250
Total current liabilities		20,191		7,260		<u> </u>	_	27,451
LONG-TERM LIABILITIES: Deferred revenue Note payable Bonds payable		232,878 326,245		- - 11,250		-		232,878 326,245 11,250
Total long-term liabilities		559,123	_	11,250	_			570,373
Total liabilities		579,314	_	18,510				597,824
NET ASSETS (DEFICIT): Invested in capital assets, net of related debt Unrestricted		138,986 23,894		(5,297)		- 21,317		138,986 39,914
Total net assets		162,880		(5,297)		21,317		178,900
Total liabilities and net assets	\$	742,194	\$	13,213	\$		\$	776,724
			=		=			

The accompanying notes are a part of the financial statements.



SPRINGVALE TOWNSHIP STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

for the year ended March 31, 2005

Major Funds

(396)

(4,901)

(5,297)

1,307

20,010

21,317

25,822

16,222

162,678

\$ 178,900

		n i unas		
	Trails End Sewer Fund	Springvale- Bear Creek Sewer Fund	Sunrise Sewer Fund	Total
Operating revenue: Charges for services Maintenance assessment	\$ - 1,420	\$ 21,366	\$ 900	\$ 22,266 1,420
Total operating revenue	1,420	21,366	900	23,686
Operating expenses: Treatment Maintenance Depreciation Other	49 2,562 10,281	16,894 - - 3,500	- - -	16,943 2,562 10,281 3,500
Total operating expenses	12,892	20,394		33,286
Operating income (loss)	(11,472)	972	900	(9,600)
Non-operating revenues (expenses): Special assessment Interest income Interest expense	28,561 18,632 (20,410)	- 32 (1,400)	- 407 -	28,561 19,071 (21,810)
Total non-operating revenues (expenses)	26,783	(1,368)	407	25,822

15,311

147,569

162,880

The accompanying notes are a part of the financial statements.

Change in net assets

Total net assets, beginning of year

Total net assets, end of year



SPRINGVALE TOWNSHIP STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

for the year ended March 31, 2005

_							
	rails End wer Fund	E	pringvale- Bear Creek ewer Fund	- S	Sunrise Sewer Fund		Total
Cash flows from operating activitites: Receipts from customers \$ Payments to suppliers Payments to employees	1,420 (896) -	\$	21,366 (16,512 (382))	900	- - \$	23,686 (17,408) (382)
Net cash provided by operating activities	524		4,472	-	900	-	5,896
Cash flows from capital and related financing activities: Special assessment Principal paid on long-term debt Interest paid on long-term debt	21,881 (25,790) (20,410)		(3,500) (1,400)		- - -		21,881 (29,290) (21,810)
Net cash used in capital and related financing activities	(24,319)		(4,900)		-		(29,219)
Cash flows from investing activities, Interest income	18,632		32		407		19,071
Net increase (decrease) in cash and cash equivalents	(5,163)		(396)		1,307		(4,252)
Cash and cash equivalents, April 1, 2004	27,463		(891)		19,110		45,682
Cash and cash equivalents, March 31, 2005	22,300	\$	(1,287)	\$	20,417	\$	41,430
Reconciliation of operating income (loss) to net cash provided by operating activities: Operating income (loss) \$ Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	(11,472)	\$	972	\$	900	\$	(9,600)
Depreciation Amortization Increase in, accounts payable	10,281		3,500 -		- - -		10,281 3,500 1,715
Net cash provided by operating activities \$	524	\$	4,472	\$	900	\$	5,896



SPRINGVALE TOWNSHIP STATEMENT OF NET ASSETS -FIDUCIARY FUND March 31, 2005

ASSETS: Cash and cash equivalents Due from governmental units	\$ 653 2,999
Total assets	\$ 3,652
LIABILITY, due to other funds	\$ 3,652



NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Springvale Township (the Township) conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the most significant policies followed by Springvale Township:

Reporting Entity

The Township is governed by an elected five-member board. The Township has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges



NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Government-wide and Fund Financial Statements (Continued)

to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state revenue sharing, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for the Township's fire department.



NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Township reports the following major proprietary funds:

The Trails End Sewer and Springvale Bear Creek Sewer account for the activities related to the Township's distribution, billing and sanitary collection systems.

Additionally, The Township reports the following fund type:

The **Fiduciary Fund** is used to collect and distribute State of Michigan, Emmet County, North Central Michigan College, Petoskey Public Schools, and Char-Em Intermediate School District property tax monies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenue of the proprietary funds consists of charges to customers for sewer services. Operating expense for proprietary funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less when acquired are considered to be cash equivalents.



NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Property Taxes

The Township tax is levied on December 1 on the taxable valuation of property located in the Township as of December 31 of the preceding tax year. The tax is due on February 14 of the year after it is levied with a final collection date of February 28, at which time it is added to the county tax rolls if not collected. Property tax revenue is recognized in the fiscal year in which the taxes are levied.

The Township is permitted by state law, subject to State Headlee and Truth in Taxation provisions, to levy taxes up to \$1 per \$1,000 of state taxable valuation for general government services and up to \$1 per \$1,000 for fire protection. The tax rate to finance general governmental services for the year ended March 31, 2004 was \$.9060 per \$1,000 and also \$.9060 per \$1,000 to finance fire protection. The 2002 state taxable valuation for the Township was \$67,388,088, raising approximately \$61,000 for operations and fire protection.

The Township also bills and collects taxes for other governmental units. The collection and remittance of such taxes is accounted for in the Tax Collection Fund.

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

 $Major\ outlays\ for\ capital\ assets\ and\ improvements\ are\ capitalized\ as\ projects\ are\ constructed.$



NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land Improvements	15
Machinery and Equipment	5-10
Office Equipment	5-10
Vehicles	5-10

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Deferred Revenue

Deferred revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred. Also, revenue from special assessments is deferred until collected.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budget Information

The annual budget is prepared by the Township Supervisor and adopted by the Township board; subsequent amendments are approved by the Township Board. The annual operating budget has been prepared in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year-end; encumbrance accounting is not employed by the Township. During the current year, the budget was amended in a legally permission manner.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year ended March 31, 2005, the Township incurred expenditures in the General Fund in excess of amounts appropriated, as follows:

General Government	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
Capital Outlay	\$ 88,920	\$ 91,325	\$ 2.405

Accumulated Fund Deficits

The Township has an accumulated retained earning deficit of \$5,297 in the Springvale-Bear Creek Sewer Fund.

Public Act 275 of 1980 (MCL 141.921) requires that the Township file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. The Township has not filed the required plan. The Township has addressed the deficit by increasing sewer rates effective July 1, 2005 and the deficit is projected to be eliminated over the next two years. The Township will be filing the plan shortly.

NOTE C - DEPOSITS:

The Township's deposits were reported in the basic financial statement in the following categories at March 31, 2005:

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Fiduciary <u>Fund</u>	_Total
Cash and cash equivalents Certificate of deposit	\$357,374 13,412	\$ 41,430 ————	\$ 653	\$399,457 13,412
Total	<u>\$370,786</u>	<u>\$_41,430</u>	<u>\$ 653</u>	<u>\$412,869</u>

The following is a summary of the Township's March 31, 2005 bank balances classified as to risk:

Insured (FDIC)	\$122,263
Uninsured	_297,920
Total	<u>\$420,</u> 183



NOTE C - DEPOSITS (Continued):

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits are in accordance with statutory authority.

NOTE D - RECEIVABLES:

Receivables as of year-end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	<u>Fire Fund</u>	Sewer <u>Funds</u>	<u>Total</u>
Taxes and Fees Receivable Accounts Special Assessments Delinquent Assessments	\$ 7,861 - - -	\$ 6,005 - - - -	\$ - 900 250,502 <u>4,161</u>	\$ 13,866 900 250,502 4,161
Total Receivables	<u>\$ 7,861</u>	<u>\$ 6,005</u>	<u>\$255,563</u>	\$269,429



NOTE E - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2005 is as follows:

Governmental activities:	Beginning Balance	Increases	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets not being depreciated,				
Land	\$ 25,751	\$ -	\$ -	\$ 25,751
Capital assets being depreciated:	4 25,761	*	Ψ -	φ 45,751
Buildings	796,548	64,994	-	861,542
Land Improvements Fire Trucks and Equipment	241 445	22,027	-	22,027
Office Equipment	241,445 3,682	1,562 1,948	-	243,007
Subtotal				5,630
Babiotai	1,041,675	90,531	-	1,132,206
Less accumulated depreciation:				
Buildings	(41,547)	(13,687)	-	(55,234)
Land Improvements Fire Trucks and Equipment	(150 500)	(933)	-	(933)
Office Equipment	(152,786) (271)	(21,030)	~	(173,816)
Subtotal		<u>(759</u>)		<u>(1,030</u>)
Subloidi	<u>(194,604</u>)	<u>(36,409</u>)		<u>(231,013</u>)
Net capital assets being				
depreciated	847,071	54,122		901,193
Governmental activities net				
capital assets	¢ 070 000	Ø 54 100	œ.	d . 000 o
Tapital appoin	<u>\$ 872,822</u>	<u>\$ 54,122</u>	\$	\$ <u>926,944</u>
Business-Type Activities				
Capital assets not being depreciated,				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Capital assets being depreciated, Sewer System				
Less accumulated depreciation,	479,068	-	-	479,068
Sewer System	(38,556)	_(10,281)		(40 027)
Net capital assets being		110,201		(48,837)
depreciated	440,512	_(10,281)		420 221
Business-type activities				430,231
net capital assets	\$ 475,512	\$ (10,281)	\$ \$	<u> 465,231</u>
Deprociation arrange was also also for		- 1-0/101/	*************************************	700,401

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Unallocated	\$ 15,379
Public Safety	•
•	<u>21,030</u>
Total depreciation expense - governmental activities	\$ 36,409

Business-type activities,
Sewer System \$ 10,281

NOTE F - INTERFUND RECEIVABLES AND PAYABLES:

The following is a summary of the interfund receivables and payables as of March 31, 2005:

<u>Fund</u>	Interfund <u>Receivable</u>	_ Fund_	Interfund <u>Payable</u>
General	<u>\$ 3,652</u>	Trust and Agency	<u>\$ 3,652</u>

NOTE G - INVESTMENT IN SEWAGE DISPOSAL AUTHORITY:

The Springvale-Bear Creek Sewage Disposal Authority (the Authority) was created as a corporate instrumentality in 1973 by agreement between the Townships of Springvale and Bear Creek for the purpose of acquiring, contracting, financing and operating a sewage collection system to serve the two Townships.

Financing of the system consisted primarily of grants from state and federal governments aggregating approximately \$3,746,000 and the sale of revenue bonds in the amount of \$2,600,000 in which the Township's portion was \$65,500.

The bonds are serial bonds maturing in varying amounts on the first of each March through 2012, as explained in Note H. Payment of bond interest, principal and service costs are provided under terms of a contractual agreement between the Authority and the two Townships and are apportioned so as not to exceed 5 percent for the Township. Further, the full faith and credit of the Township and an amount not to exceed 25 percent of the Township's annual sales tax revenue is pledged for payment on each annual installment to the Authority.

In addition to the above payments, the Township is charged a service fee at rates sufficient to provide for all operating costs of the Authority. The Township is responsible for billings to sewage customers located within its boundaries.

The investment in the Authority recorded in the Township's Springvale-Bear Creek Sewer Fund is amortized annually by the same amount as the principal payment paid to the Authority. Amortization expense for the year ended March 31, 2005 was \$3,500.

NOTE H - LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2005:

Governmental Activities:	Balance <u>4/1/2004</u>	Reductions	Balance <u>3/31/2005</u>	Due Within One Year
Note payable, Fire Hall	<u>\$550,000</u>	<u>\$ (39,286</u>)	<u>\$510,714</u>	<u>\$ 39,286</u>
Business-Type Activities: Note payable, Trails End Sewer Bond payable, Springvale-Bear	\$352,035	\$ (25,790)	\$326,245	\$ -
Creek Sewage Disposal Authority	18,000	(3,500)	14,500	3,250
Total Business-Type Activities	<u>\$370,035</u>	<u>\$ (29,290</u>)	<u>\$340,745</u>	<u>\$ 3,250</u>



NOTE H - LONG-TERM DEBT (Continued):

Long-term debt consists of the following at March 31, 2005:

Governmental Activities:

General Fund

Note payable to bank, due in annual installments \$39,286 plus interest at 4.00 percent, with a balloon payment in May, 2008. This note is unsecured.

\$510,714

Business-type Activities:

Springvale-Bear Creek Sewer Fund

Bond payable, due in annual installments ranging from \$3,500 to \$4,750 through 2009; interest ranging from 7.50 percent to 7.625 percent.

\$ 14,500

Trails End Sewer Fund

Note payable to bank, due in annual installments of approximately \$39,800 through May, 2015, including interest at 65 percent of prime (5.75 percent at March 31, 2005). This note is unsecured.

326,245

Total business-type activities long-term debt

\$340,745

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending		nt Activities	Business-Typ	Type Activities		
March 31	<u>Principal</u>	<u>Interest</u>	Principal	Interest		
2006	\$ 39,286	\$ 20,807	\$ 3,250	\$ 1,098		
2007	39,286	19,207	30,683	13,233		
2008	39,286	17,606	31,724	11.948		
2009	392,856	16,006	34,305	10,619		
2010	-	-	30,676	9,136		
2011-2015	-	-	171,749	27,313		
2016			<u>38,358</u>	1,455		
	<u>\$510,714</u>	<u>\$ 73,626</u>	<u>\$340,745</u>	<u>\$ 74,802</u>		



NOTE I - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits to all of its elected officials and specified employees through a defined contribution plan. The plan is administered by the Township. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 7.5 percent of participant gross earnings and Township participants have the option to contribute between 1 percent and 10 percent of their compensation to the plan.

The Township contributed \$3,051 to the plan for the year ended March 31,2005. There were no employee contributions to the plan.

NOTE J - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss torts, errors and omissions and injuries to employees. The township has purchased coverage from commercial insurance companies to insure itself against risk of loss. Settled claims relating to losses have not exceeded the amount of insurance coverage in any of the past three fiscal years.



SPRINGVALE TOWNSHIP BUDGETARY COMPARISION SCHEDULE GENERAL FUND

for the year ended March 31, 2005

		Original Budget		Final Amended Budget		Actual		Variance from Final Amended Budget Favorable Jnfavorable)
Revenues: Taxes and fees	Ċ.	104.000						
State grants	\$	104,000 150,000		\$ 104,000	•	91,604	\$	(12,396)
Charges for services		700		150,000 700		122,449 300		(27,551)
Interest		8,600		8,600		3,545		(400) (5,055)
Other revenue		-		-,	-	5,526		5,526
Total revenues		263,300		263,300		223,424		(39,876)
Expenditures:								
Legislative, township board		1,764		1,764	:	-		1,764
General government:								
Supervisor		7,985		7,985		7,000		_
Elections		2,155		3,034		7,980 2,919		5 115
Legal and accounting		2,500		5,000		3,338		1,662
Assessor		20,549		20,549		21,036		(487)
Clerk Board of review		18,276		18,276		14,254		4,022
Treasurer		1,323		1,323		1,249		74
Cemetery		18,276		19,375		16,231		3,144
Building and grounds		4,810		9,717		9,246		471
Insurance		11,500		15,643		8,771		6,872
Other		14,000		15,764		8,339		7,425
		32,900		39,768		16,148		23,620
Total general government		134,274		156,434		109,511		46,923
Public works:								
Roads		10,000		4,464		4,464		
Sewer authority		2,176		1,476		(2,112)		2 500
Spring clean up		20,000		15,600		15,600		3,588
Total public works		32,176	_	21,540		17,952		3,588
Public safety:								
Zoning and planning		3,340		3,495		394		0.101
Ordinance officer		4,355		4,574		2,784		3,101 1,790
Total public safety		7,695		8,069		3,178	 -	4,891
Recreation and culture,								-, -, -, -
Parks and recreation		0.615		0.015				
		9,615		9,615		2,625		6,990
Capital outlay		19,500		88,920		91,325		(2,405)
Debt service		62,000		62,936		62,936		-
Total expenditures		267,024		349,278	-	287,527		61,751
Excess of revenues over								
(under) expenditures	\$	(3,724)	\$	(85,978)	\$	(64,103)	5	21,875
			_					



SPRINGVALE TOWNSHIP BUDGETARY COMPARISON SCHEDULE FIRE FUND

for the year ended March 31, 2005

	Original Budget			Final Amended Budget		Actual		Variance from Final Amended Budget Favorable (Unfavorable)	
Revenues:						· · · · · · · · · · · · · · · · · · ·			
Taxes and fees	\$	50,000	\$	50,000	\$	60,979	\$	10,979	
State grants Interest		1.000		1.070		1,700		1,700	
		1,000		1,078		1,265		187	
Total revenues		51,000		51,078		63,944		12,866	
Expenditures: Public safety:									
Salaries and wages		24,030		32,054		32,429		(375)	
Payroll taxes		1,840		2,447		2,481		(34)	
Retirement		450		450		585		(135)	
Office and operating supplies		500		500		566		(66)	
Other services and charges		2,400		2,871		1,994		877	
Utilities		2,000		6,962		8,842		(1,880)	
Telephone		500		727		772		(45)	
Insurance and bonds		-		7,259		7,259		-	
Repairs and maintenance		7,000		7,632		3,304		4,328	
Small equipment		3,000		9,017		9,296		(279)	
Fuel		2,000		2,269		2,770		(501)	
Miscellaneous		2,000		2,000		70		1,930	
Capital outlay		-		10,000		-		10,000	
Total expenditures	-	45,720		84,188		70,368		13,820	
Excess of revenues over									
(under) expenditures	\$	5,280	\$	(33,110)	\$	(6,424)	\$	26,686	
				_					



Smolinski & Christman, P.C. J Certified Public Accountants

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555 Michigan Street Petoskey, Michigan 49770 (231) 347-5555 Fax (231) 347-5639

September 20, 2005

Mr. F. Thomas Whipp, Supervisor Springvale Township 8198 Mitchell Road Petoskey, Michigan 49770

Dear Mr. Whipp:

We have audited the financial statements of Springvale Township for the year ended March 31, 2005, and have issued our report thereon dated September 9, 2005. In planning and performing our audit of the financial statements of Springvale Township, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. During the course of our audit, we became aware of the following matters that represent an opportunity for strengthening operating controls and improving financial reporting.

GENERAL LEDGER CHART OF ACCOUNTS:

 $\frac{Comment}{Recommendation} \ The \ General \ ledger \ does \ not \ include \ a \ Current \ Tax \ Collections \ Fund \ as \ required.$ Recommendation \ The \ Township \ add \ a \ tax \ collection \ fund \ to \ its \ general \ ledger \ and \ the \ clerk \ post \ receipts \ and \ disbursements \ to \ the \ fund.

PROPERTY TAXES:

<u>Comment</u> The property tax collection fund activity did not agree with the year end settlement statement prepared by the county for both the 2003 and 2004 tax years. Therefore, settlement amounts paid by the county to the township were incorrect, which required numerous refunds.

<u>Recommendation</u> The treasurer make sure that the information on receipts and payments provided to the County for the year end settlement statement accurately reflects the activity in the tax collection account. Also, all activity in the account should be accounted for to ensure that the account "zeros out" at the end of the tax collection cycle.

Mr. F. Thomas Whipp, Supervisor September 20, 2005 Page 2

SUNRISE SEWER SYSTEM:

<u>Comment</u> The Township currently pools the Sunrise Sewer cash balance with other funds. <u>Recommendation</u> Since there are no disbursements from this fund, the Township should consider setting up a separate bank account. This would make it easier to track the interest income and make reconciling the pooled bank account easier.

The following comments are a result of this year's audit:

TRAILS END SEWER SYSTEM:

 $\underline{\text{Comment}}$ The maintenance expenses paid have exceeded the amounts collected to pay for maintenance expenses.

<u>Recommendation</u> The Township should consider an additional maintenance fee assessment to the users, to cover the maintenance expenses.

PROPERTY TAXES

<u>Comment</u> The disbursements from the property tax collection fund were made out to the overall taxing authority and not the specific payee.

<u>Recommendation</u> Disburse the funds to these specific payees.

DISBURSEMENTS

<u>Comment</u> Several vendor invoices that were previously paid were paid twice. <u>Recommendation</u> Stamp the invoice paid after disbursing the funds.

We would like to acknowledge the courtesy and assistance extended to us by all the Township's personnel during our audit. Should you have any questions with respect to the above comments, we would be pleased to discuss them with you at your convenience.

Very truly yours,

Smolinski & Christman, P.C.

Smolinski & Christman, P.C.

